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AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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June 16, 2016

TO: Audit Committee

FROM: Robert Smythe, Chief
Audit Division

SUBJECT: **AUDIT PLAN INFORMATION**

At the May 19, 2016 meeting, the Audit Committee requested the following information as it relates to the Auditor-Controller (A-C) Audit Division's Fiscal Years 2016-17 and 2017-18 Audit Plan:

1. Prepare a list of the required audits and why we are required to complete them.

See Attachment I for a schedule of the audits we are required to complete and the authority for each (e.g., County Code, etc.). Where possible, we indicated when the requirement became effective.

2. Indicate why we are conducting cell phone audits, the date of the first cell phone audit, and the total number of cell phone audits completed to date.

The A-C issued its first cell phone audit on December 21, 2010. Because of concerns raised during that audit, the Board of Supervisors (Board), on January 4, 2011, instructed the A-C to conduct audits of a sample of departments to determine if they are complying with County cell phone policies and procedures, and to report back within 12 months on the results of those audits. Subsequently, the Chief Executive Office (CEO) informed the Board that the audits would begin six months after the approval and implementation of the CEO's proposed new County Cellular Telephone Policy (Board Policy 3.160). The Board approved this policy on October 2, 2012.

Per Attachment II, the A-C completed two cell phone reviews since the implementation of Board Policy 3.160, and the A-C has two additional cell phone reviews in progress. However, we plan to eliminate or significantly reduce future cell

phone reviews to satisfy the Audit Committee's request to conduct fewer fiscal related audits and more program/operational audits.

3. Identify audits we are conducting on an ongoing basis and the number of material or significant findings. Include an explanation of why we think these findings are important.

In the table below, we summarize the ongoing audits conducted by Audit Division staff, and provide ratings as a mechanism to indicate the potential for significant findings as well as the prevalence of significant findings based on our experience. We also note examples of some of the more frequent findings identified during our audits.

Summary of Ongoing Assignments			
ONGOING ASSIGNMENTS	POTENTIAL FOR SIGNIFICANT FINDINGS	PREVALENCE OF SIGNIFICANT FINDINGS	FREQUENT FINDINGS
Procurement and Contracting	High	Medium	Overpaying for goods and services Missing equipment and supplies
Payroll/Personnel	High	Medium	Unauthorized overtime Delayed personnel transactions
Credit Cards and Fuel Cards	Medium	Low	Inappropriate purchases Personal use of cards
Cell Phones	Medium	Low	Inefficient plan structures Inactive equipment
Trust, Commitments, and Accounts Payable	Low	Low	County revenue held in trust Misstated commitments and payables
Sunset Reviews	Low	Low	None
Proposition A Cost Analyses	Low	Low	None

4. Provide a definition of each major type of audit that the Audit Division performs.

Attachment III includes a list of the primary audit categories, the types of audits in each category, and the audit objectives.

5. Prepare a description of a self-monitoring, reporting, and correcting program that Audit Division can provide to departments, building off Audit Division's Internal Control Certification Program (ICCP).

This item is still in progress. However, Audit is currently streamlining the ICCP questionnaires to allow departments to focus on the most critical internal control issues. Historically, with the number of ICCP questions, departments had difficulty completing the questionnaires accurately and timely. The streamlined ICCPs should help departments achieve the intent of the ICCP of "self-assessing/monitoring"

department operations. We also have a project underway to build an automated version of the ICCP process.

6. Provide examples of those audits or reviews we conduct, if any, using technology/software.

Audit Division performs a Countywide eCAPS/eHR Terminated Employee Review to identify active eCAPS/eHR users who have left County service. This analysis involves using ACL (computer software) to compare a list of eCAPS/eHR users across all County departments to a list of employees who have terminated.

In addition, many of our reviews have some form of software integration, such as the use of Excel or ACL to analyze system data. For example, during our cell phone reviews, we use Excel/ACL to analyze usage data and determine whether the department is incurring unnecessary charges for cell phones that have little or no usage. We also used Excel/ACL to compare the department's cell phone inventory to the list of cell phones incurring charges to determine whether all cell phones were properly accounted for. During a recent payroll review, we used automated tools such as ACL to compare system log-in time, mileage claimed, and work schedules to identify staff working off-the-books overtime.

7. Identify examples of audits that we could conduct using technology/software in the future, what they actually audit, and how would the audits look and read.

As noted in our report back to the Board on the feasibility of conducting annual Information Technology (IT) and Security Policy audits, this is an area we plan to evaluate.

There are many Countywide IT security programs/initiatives that are critical to the County's overall IT security strategy, which are the responsibility of central departments such as the Internal Services Department (ISD) and CEO. In our ongoing effort to increase the efficiency and effectiveness of our audits, we plan to evaluate performing audits of these central departments' Countywide administration of areas such as network vulnerability, network threat prevention/detection, IT asset management, IT security training, and other centralized IT control areas. In addition, we have reached out to ISD and the CEO as we evaluate acquiring software/tools, such as network vulnerability scanning software, to assist in performing these audits/assignments.

8. Identify County departments that have internal audit/compliance units.

Attachment IV identifies departments with an internal audit function and the number of dedicated audit staff.

9. Indicate whether the A-C has ever audited the Department of Agricultural Commissioner/Weights and Measures (AC/WM).

Since July 1, 2011, the A-C has not completed any audits of the AC/WM. However, the Audit Division is in the process of completing a AC/WM Voyager Card review and expects to issue the report within the next 60 days. Please see Attachment V for a list of County departments that the A-C has either not audited, or has audited only once, since July 1, 2011.

If you have any questions or need additional information, please call me at (213) 253-0100.

RS:ag

Attachments

Department of Auditor-Controller
Audit Division
Mandated Assignments

AUDIT NAME	SOURCE	SPECIFIC REQUIREMENT
Board Requested Audits	Board, County Code	County Code 2.10.010 - All bookkeeping and auditing of accounts of all offices and departments shall be subject to the inspection and control of the auditor, under the supervision and direction of the Board of Supervisors (Board).
Department Requested Audits	County Code	
Department Technical Assistance	County Code	
Proposition A Cost Analyses	Audit Committee	April 17, 2008 - The Audit Committee approved the Auditor-Controller's (A-C) review of departments' cost analyses for all Proposition A contracts of \$1 million a year or more.
Sunset Reviews	Board, Audit Committee	Sunset Reviews are required per a sunset review plan that was proposed by the Audit Committee and accepted by the Board in the 1990s.
Work Orders		
Health Services Community Health Plan Financial Audit		County Code 2.10.010 - The auditor shall administer all contracts for financial/compliance and management audit services for all County offices and departments. This program shall require the auditor to administer the selection of the contractors and supervise the contractors' performance.
Countywide Utilities User Tax Audit		
Public Works Flood Control District Audit		
Sheriff's Inmate Welfare Fund Audit		
Health Services Valuation Services and Special Study		
Public Social Services Mandated Programs Audit		
Parks and Recreation Revenue Agreements Audits		
Countywide State Grants Compliance Audits		
Treasurer and Tax Collector Redemption Compliance Audit		
Regional Park and Open Space Districts Proposition A Grants Compliance Audits		
Treasurer and Tax Collector Treasury Quarterly Review and Annual Audit	County Code	
Beaches and Harbors Revenue Agreement Audits		Government Code Section 26920 - The auditor must annually perform or cause to be performed an audit of County treasury assets.
Treasurer and Tax Collector Cash Counts	State, County Code	County Code 2.10.070 - The auditor must review, or cause to be reviewed, in accordance with appropriate professional standards, the quarterly statement of assets and report the review to the Board including: 1. Counting the cash in the County treasury. On April 4, 1978, the Board adopted a resolution, pursuant to Government Code Section 29321.1, authorizing the A-C to perform the functions of your Board to establish, discontinue, increase, or decrease Revolving Funds.
Countywide Revolving Fund Reviews	Board, State	On October 21, 1980, the Board adopted a resolution, pursuant to Government Code Section 25252.6, authorizing the A-C to perform the functions of your Board to establish and determine the amount of Revolving Cash Trust Fund Assignments.
Special Districts Government Code 26909	State	Government Code Section 26909 - The County auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the County for which an audit by a certified public accountant or public accountant is not otherwise provided.

Department of Auditor-Controller
Audit Division
Mandated Assignments

AUDIT NAME	SOURCE	SPECIFIC REQUIREMENT
Probation Trust Controls	State	Welfare and Institutions Code 275 - The auditor of the County shall audit these books and accounts annually, or at least biennially if so ordered by the Board upon the recommendation of the County auditor.
Follow-Up Reviews	County Code, Audit Standards	County Code 4.050 - The A-C, as part of their regular work plan, will review audit actions taken by County officers to implement audit recommendations, resolve questioned costs, or audit issues. Due professional care also includes follow-up on known findings and recommendations from previous audits that could have an effect on the current audit objectives to determine whether prompt and appropriate corrective actions have been taken.
Information Technology (IT) and Security Policy Audits	Board	Board Policy 6.108 - To ensure that County IT resources are periodically audited for compliance with County IT resources policies, standards, and procedures and County IT security policies, standards, and procedures.
Payroll/Personnel Reviews	Board	On September 11, 2007, the Board directed the A-C to report back on how the A-C's regular audit function can be utilized to more directly address Countywide or multi-department payroll/personnel problems. Based on the Board directive, the A-C completed a payroll/personnel risk assessment of the 34 departments and developed a plan to audit all departments.
Procurement Reviews	Board	On August 14, 2007, the Board instructed the A-C to assess the need to conduct specialized procurement audits of County departments. To address the Board's request, we proposed conducting procurement reviews according to potential risk. Based on the Board directive, the A-C completed a payroll/personnel risk assessment of the 34 departments and developed a plan to audit all departments.
Cell Phone Reviews	Board	Board Motion - January 4, 2011 - Coordinate a follow-up by the A-C of a sample of department's to verify that they have implemented and are complying with internal controls and policies. The Chief Executive Office's June 1, 2011 County Cell Phone Usage memo - Status Report No. 3 informed the Board that the A-C would begin cell phone audits six months after the approval and implementation of Board Policy 3.160; the policy was approved October 2, 2012.

Department of Auditor-Controller
Audit Division
Mandated Assignments

AUDIT NAME	SOURCE	SPECIFIC REQUIREMENT	
		OTHER TASKS	
E-Commerce Readiness Group	Board	Board Order, adopted February 3, 1998 - Instruct the A-C to approve (debit/credit card) application's accounting controls prior to implementation.	
Foundation Report Monitoring	County Code	On January 4, 1994, the Board adopted requirements governing departmental relationships with foundations and support groups. The adopted procedures, which were also incorporated into the County Fiscal Manual, defined the types of organizations that qualify as "reportable foundations," and established requirements for County departments to monitor, account for, and report on their relationships with reportable foundations. These procedures require County departments to file an annual benefit/cost report with the Board and the A-C on each reportable foundation.	
Third Party Liability Letters Review	Board	February 23, 1999 Board Motion - A-C must annually compile department reported monies owed to third parties and provide a report to the Board.	
Risk Assessment	Audit Standards	Yellow Book 6.28 Auditors should assess the risk that noncompliance with provisions of laws, regulations, contracts, or grant agreements could occur.	
Audit Planning	Audit Standards	Yellow Book 6.06 Auditors must adequately plan and document the planning of the work necessary to address the audit objectives.	
Budget Update	County Code	County Code 4.12 - Budget procedure	
County Fiscal Manual Update	County Code	County Code 2.10.010 - All bookkeeping and auditing of accounts of all offices and departments shall be subject to the inspection and control of the auditor, under the supervision and direction of the Board.	
Internal Control Certification Program	County Code	County Code 2.10.015 - The auditor shall administer an internal control certification program for all County departments, judicial districts, and special districts under the control of the Board. This program shall require an annual review of fiscal operations to ensure compliance with the Los Angeles County Fiscal Manual.	
Audit Recommendation Annual Audit Follow-Up	Board	Board Policy 4.050 - Annually, departments will provide the A-C with the detailed status of all outstanding recommendations until the recommendation(s) have been fully implemented, or an acceptable alternate disposition has been agreed to by the A-C.	

Department of Auditor-Controller
Cellular Phone Reviews

First Report Issued After Board Policy 3.160 (October 2, 2012) : February 2, 2015

Number of Audits Completed: 2

Number of Audits Currently in Progress: 2

CELLULAR PHONE REPORTS ISSUED			
Issue Date	Dept	Addressee	Audit
2/3/2015	Probation	Board of Supervisors	Probation Department - Cellular Telephones and Other Wireless Data Devices Review
9/16/2015	Sheriff's	Board of Supervisors	Sheriff's Department - Cellular Telephones and Other Wireless Devices Review

Reviews Currently in Progress

Public Works

Mental Health

**Department of Auditor-Controller
Audit Division
Primary Audit Categories**

Fiscal Audits

- **Payroll/Personnel** – Determine whether employees are paid accurately and timely, and evaluate if an effective system of payroll/personnel internal controls is in place to prevent/detect overpayments and irregularities.
- **Procurement** – Determine whether departments are complying with County purchasing policies and internal control standards to obtain needed goods and services in a timely manner from the lowest cost responsible/responsive vendor.
- **Contracts** – Determine compliance with County contracting policies and whether contract awards are logical and defensible.
- **Commitments and Trust Accounts** – Determine if commitments are established for purchasing transactions in progress at fiscal year-end, that trust fund balances are accounted for and utilized for their designated purpose, credited against an applicable receivable or otherwise recognized as revenue in a timely manner, or returned to their rightful owner.
- **Grant(s)** – Ensure grant revenue is being maximized and received timely, and determine whether grant funds are properly accounted for and reconciled.

Compliance Audits

- **Program** – Determine whether programs are being delivered efficiently, in compliance with applicable regulatory and/or grantor requirements, monitored at appropriate points of reference, achieving established goals, objectives, and outcomes, and benchmarked to applicable standards and comparable entities.

Information Technology (IT) Audits

- **IT and Security Policy** – Determine whether departments' IT operations are in compliance with IT and Security policies as defined within the Board of Supervisor's Policy Manual, such as intrusion and user access controls, antivirus software, incident response and reporting, and controls over portable computing devices including stored confidential data.
- **Information System** – Determine whether individual mission-critical information systems are properly safeguarded and controlled in accordance with County policies and procedures, including appropriate input and output controls, disaster recovery planning, and the accurate, timely, and efficient processing of data.

County of Los Angeles
Departmental Internal Audit Function
As of June 2016

Internal Audit Function		Dedicated Staff
1.	Beaches and Harbors	3
2.	Board of Supervisors - Executive Office	1
3.	Children and Family Services	6
4.	Fire	6
5.	Health Services	17
6.	Human Resources	11
7.	Internal Services	4
8.	Public Health	7
9.	Public Library	4
10.	Public Social Services	11
11.	Public Works	7
12.	Registrar-Recorder/County Clerk	4
13.	Sheriff	3
TOTAL:		84
No Internal Audit Function		Dedicated Staff
1.	Agricultural Commissioner/Weights and Measures	N/A
2.	Alternate Public Defender	N/A
3.	Animal Care and Control	N/A
4.	Assessor	N/A
5.	Auditor-Controller	N/A
6.	Chief Executive Office	N/A
7.	Child Support Services	N/A
8.	Community and Senior Services	N/A
9.	Consumer and Business Affairs	N/A
10.	County Counsel	N/A
11.	District Attorney	N/A
12.	Medical Examiner-Coroner	N/A
13.	Mental Health	N/A
14.	Military and Veterans Affairs	N/A
15.	Museum of Art	N/A
16.	Natural History Museum	N/A
17.	Parks and Recreation	N/A
18.	Probation	N/A
19.	Public Defender	N/A
20.	Regional Planning	N/A
21.	Treasurer and Tax Collector	N/A

Department of Auditor-Controller
Departments Infrequently Audited
As of June 2016

NO.	DEPARTMENT	AUDITS SINCE JULY 2011	REPORT ISSUE DATE	DESCRIPTION OF AUDIT
1	Alternate Public Defender	1	3/13/2016	Payroll/Personnel Review
2	Animal Care and Control	1	2/1/2016	Revenue and Collections Review
3	Auditor-Controller	1	10/3/2013	Information Technology and Security Review
4	Agricultural Commissioner/Weights and Measures	0	N/A	
5	Beaches and Harbors	0	N/A	
6	Board of Supervisors	0	N/A	
7	Chief Executive Office	1	7/3/2014	Workers' Compensation Payment Process Follow-Up
8	Chief Information Office	0	N/A	
9	Community Development Commission/Housing Authority	1	6/20/2013	Fiscal Review
10	Consumer and Business Affairs	0	N/A	
11	County Counsel	0	N/A	
12	Human Resources	1	3/28/2016	Fiscal Review Phase I
13	Medical Examiner-Coroner	1	10/22/2014	Fiscal Review and Management Audit Follow-Up
14	Military and Veterans Affairs	0	N/A	
15	Museum of Art	0	N/A	
16	Natural History Museum	0	N/A	
17	Public Library	0	N/A	
18	Regional Planning	1	9/14/2012	Cash Handling, Trust Funds, and Accounts Payable
19	Superior Court	1	9/9/2013	Superior Court - Collections Operations (Board Order)

